

RD AN No. 4131 (4279-B)
December 23, 2005

SUBJECT: Business and Industry Guaranteed Loan Program
Takeout of Interim Financing

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify when takeout of interim financing is an eligible loan purpose in accordance with RD Instruction 4279-B, section 4279.113(s).

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

RD Instruction 4279-B, section 4279.113(s), allows the takeout of interim financing when the lender submits a complete preapplication or application, which proposes the interim financing, prior to extending any portion of the interim loan. RD Instruction 4279-A, section 4279.2, defines interim financing as a temporary or short-term loan made with the clear intent that it will be repaid through another loan. Typically, interim financing is used to pay construction and other costs associated with a planned project and is usually no longer than 2 years.

Therefore, the takeout of interim financing is only eligible when a temporary or short-term loan is being taken out by a permanent loan on which a guarantee will be placed and when the lender submits a complete preapplication or application that proposes the interim financing prior to extending any of the interim loan. When a

EXPIRATION DATE:
December 31, 2006

FILING INSTRUCTIONS:
Preceding RD Instruction 4279-B

preapplication or application is filed that involves the takeout of interim financing, the Agency should immediately notify the applicant that during the period of application review and processing, the applicant must not take any actions (i.e., initiate construction) that would have an adverse impact on the environment or limit the range of alternatives to be considered by the Agency during the environmental review process. It is very important that the lender be notified that the Agency cannot approve the loan and issue the Conditional Commitment until the environmental process is complete and that the Agency assumes no responsibility or obligation for interim loans advanced prior to the Conditional Commitment being issued.

If you have any questions, please contact Brenda Griffin, Loan Specialist, Business and Industry Division, at (202) 720-6802.

(Signed by Peter J. Thomas)

PETER J. THOMAS
Administrator
Business and Cooperative Programs